

# House Study Bill 296

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON VAN FOSSEN)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act providing an exemption from and a refund of sales and use  
2 taxes on materials and services used in the construction of a  
3 building or addition to a building to be used as a  
4 collaborative educational facility and including effective and  
5 applicability date provisions.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
7 TLSB 3403HC 81  
8 mg/sh/8

PAG LIN

1 1 Section 1. Section 423.3, subsection 80, paragraph a, Code  
1 2 2005, is amended to read as follows:  
1 3 a. For purposes of this subsection, "designated exempt  
1 4 entity" means an entity which is designated in section 423.4,  
1 5 subsection 1 or 4.  
1 6 Sec. 2. Section 423.3, Code 2005, is amended by adding the  
1 7 following new subsection:  
1 8 NEW SUBSECTION. 85. a. The sales price of all goods,  
1 9 wares, or merchandise sold, or of services furnished, which  
1 10 are used in the fulfillment of a written construction contract  
1 11 for the original construction of a building or structure to be  
1 12 used as a collaborative educational facility.  
1 13 b. The sales price of all goods, wares, or merchandise  
1 14 sold, or of services furnished, which are used in the  
1 15 fulfillment of a written construction contract for the  
1 16 construction of additions or modifications to a building or  
1 17 structure used as part of a collaborative educational  
1 18 facility.  
1 19 c. To receive the exemption provided in paragraph "a" or  
1 20 "b", a collaborative educational facility must meet all of the  
1 21 following criteria:  
1 22 (1) The contract for construction of the building or  
1 23 structure is entered into on or after April 1, 2003.  
1 24 (2) The building or structure is located within the  
1 25 corporate limits of a city in the state with a population in  
1 26 excess of one hundred ninety-five thousand residents.  
1 27 (3) The sole purpose of the building or structure is to  
1 28 provide facilities for a collaborative of public and private  
1 29 educational institutions that provide education to students.  
1 30 (4) The owner of the building or structure is a nonprofit  
1 31 corporation governed by chapter 504 or 504A which is exempt  
1 32 from federal income tax pursuant to section 501(a) of the  
1 33 Internal Revenue Code.  
1 34 References to "building" or "structure" in subparagraphs  
1 35 (1) through (4) include any additions or modifications to the  
2 1 building or structure.  
2 2 Sec. 3. Section 423.4, Code 2005, is amended by adding the  
2 3 following new subsection:  
2 4 NEW SUBSECTION. 4. a. The owner of a collaborative  
2 5 educational facility in this state may make application to the  
2 6 department for the refund of the sales or use tax upon the  
2 7 sales price of all sales of goods, wares, or merchandise, or  
2 8 from services furnished to a contractor, used in the  
2 9 fulfillment of a written construction contract with the owner  
2 10 of the collaborative educational facility for the original  
2 11 construction, or additions or modifications to, a building or  
2 12 structure to be used as part of the collaborative educational  
2 13 facility.  
2 14 To receive the refund under this subsection, a  
2 15 collaborative educational facility must meet all of the

2 16 following criteria:

2 17 (1) The contract for construction of the building or  
2 18 structure is entered into on or after April 1, 2003.

2 19 (2) The building or structure is located within the  
2 20 corporate limits of a city in the state with a population in  
2 21 excess of one hundred ninety-five thousand residents.

2 22 (3) The sole purpose of the building or structure is to  
2 23 provide facilities for a collaborative of public and private  
2 24 educational institutions that provide education to students.

2 25 (4) The owner of the building or structure is a nonprofit  
2 26 corporation governed by chapter 504 or 504A which is exempt  
2 27 from federal income tax pursuant to section 501(a) of the  
2 28 Internal Revenue Code.

2 29 References to "building" or "structure" in subparagraphs  
2 30 (1) through (4) include any additions or modifications to the  
2 31 building or structure.

2 32 b. Such contractor shall state under oath, on forms  
2 33 provided by the department, the amount of such sales of goods,  
2 34 wares, or merchandise, or services furnished and used in the  
2 35 performance of such contract, and upon which sales or use tax  
3 1 has been paid, and shall file such forms with the owner of the  
3 2 collaborative educational facility which has made any written  
3 3 contract for performance by the contractor.

3 4 c. The owner of the collaborative educational facility  
3 5 shall, not more than one year after the final settlement has  
3 6 been made, make application to the department for any refund  
3 7 of the amount of the sales or use tax which shall have been  
3 8 paid upon any goods, wares, or merchandise, or services  
3 9 furnished, the application to be made in the manner and upon  
3 10 forms to be provided by the department, and the department  
3 11 shall forthwith audit the claim and, if approved, issue a  
3 12 warrant to the owner of the collaborative educational facility  
3 13 in the amount of the sales or use tax which has been paid to  
3 14 the state of Iowa under the contract.

3 15 Refunds authorized under this subsection shall accrue  
3 16 interest at the rate in effect under section 421.7 from the  
3 17 first day of the second calendar month following the date the  
3 18 refund claim is received by the department.

3 19 d. Any contractor who willfully makes a false report of  
3 20 tax paid under the provisions of this subsection is guilty of  
3 21 a simple misdemeanor and in addition shall be liable for the  
3 22 payment of the tax and any applicable penalty and interest.

3 23 Sec. 4. REFUNDS. Refunds of taxes, interest, or penalties  
3 24 which arise from claims resulting from the enactment of  
3 25 section 423.3, subsection 85, paragraph "a", in section 2 of  
3 26 this Act for the exemption of the sales of goods, wares, and  
3 27 merchandise, and the furnishing of services used in the  
3 28 fulfillment of a written construction contract for the  
3 29 original construction of a building or structure to be used as  
3 30 a collaborative educational facility occurring between April  
3 31 1, 2003, and June 30, 2005, shall not be allowed unless refund  
3 32 claims are filed by June 30, 2006, notwithstanding any other  
3 33 provision of law.

3 34 Sec. 5. EFFECTIVE AND RETROACTIVE APPLICABILITY DATE.  
3 35 Section 2 of this Act, being deemed of immediate importance,  
4 1 takes effect upon enactment and applies retroactively to April  
4 2 1, 2003.

#### 4 3 EXPLANATION

4 4 This bill provides for a sales and use tax exemption for  
4 5 sales of materials and services furnished pursuant to a  
4 6 written construction contract for the construction of a  
4 7 building and any addition to a building to be used as a  
4 8 collaborative educational facility. The bill provides that if  
4 9 sales or use tax has been paid, a refund of any taxes may be  
4 10 applied for.

4 11 To be eligible for the exemption or refund, the  
4 12 construction contract must be entered into on or after April  
4 13 1, 2003; the building or additions must be located within a  
4 14 city in the state with a population in excess of 195,000  
4 15 residents; the building or addition must be used to provide  
4 16 facilities for a collaborative of public and private  
4 17 educational institutions to provide education to students; and  
4 18 the owner must be a nonprofit corporation organized in Iowa  
4 19 which is exempt from federal income taxation.

4 20 A refund for taxes paid under a construction contract for  
4 21 the original construction of the building must be filed by  
4 22 June 30, 2006, and applies to sales and use taxes paid on  
4 23 materials and services provided between April 1, 2003, and  
4 24 June 30, 2005. A refund for taxes paid under a construction  
4 25 contract for additions to the original building must be filed  
4 26 within one year following final settlement on the completion

4 27 of the addition.

4 28       The bill contains effective and retroactive applicability

4 29 date provisions.

4 30 LSB 3403HC 81

4 31 mg:nh/sh/8